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Viewing cable 09SOFIA69, BULGARIA'S BELENE NUCLEAR POWER PLANT - BUYERS

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

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Reference ID	Created	Released	Classification	Origin
09SOFIA69	2009-02-17 14:14	2011-08-30 01:44	CONFIDENTIAL	Embassy Sofia

Appears in these articles:

<http://www.bivol.bg/wlbelene.html>
http://www.capital.bg/politika_i_ikonomika/bulgaria/2011/04/29/1082317_mrusna_energiia/
<http://wlcenral.org/node/1722>

VZCZCXRO4314
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV RUEHSR
DE RUEHSF #0069/01 0481414
ZNY CCCCC ZZH
P 171414Z FEB 09
FM AMEMBASSY SOFIA
TO RUEHC/SECSTATE WASHDC PRIORITY 5772
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY
RUEAIIA/CIA WASHINGTON DC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 SOFIA 000069

SIPDIS

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E.O. 12958: DECL: 02/17/2019

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SUBJECT: BULGARIA'S BELENE NUCLEAR POWER PLANT - BUYERS

REMORSE ON ALL SIDES EXCEPT RUSSIA'S

REF: 08 SOFIA 0815

Classified By: Amb. Nancy McEldowney for reasons 1.4 (b) and (d).

1. (C) Summary: Despite its status as Bulgaria's highest priority energy project, the Belene Nuclear Power Plant (NPP) is foundering. Marrec

2. (C) When Bulgarians talk about the Belene nuclear power plant, they increasingly do so in hushed tones. Issues of delays, financing woes, opportunity slip away. In 2006, Bulgaria chose Russian company AtomStroyExport over a Skoda-led consortium as Belene NPP's main contractor. T Gazprom at the same time.

ONE OLD PROJECT GETS A NEW LIFE

3. (C) Belene was originally started in the 1980s, but was abandoned in the early 1990s due to lack of funds. In 2005, to make up for the European Commission's decision to close Bulgaria's Kozluduy NPP reactors 1-4, the Bulgarian government approved the construction of a new 2000 MWe plant at Belene. (Note: Kozluduy units 1 and 2 were shut down due to safety concerns in 2003, while units 3 and 4 were taken off-line at the end of 2006, on the eve of Bulgaria's EU accession.) The Bulgarian National Electric Company (NEC) hired WorleyParsons as the strategic architect engineer for the financing and construction of the plant in 2005. Belene,s two units (1 and 2) will be of the Russian A-92 design (third generation) with pressurized water reactor (PWR), each producing 1000 MW electric power. The main contractor of the project, AtomStroyExport, is working with the main foreign contractor CARSIB Consortium (Areva and Siemens). In December 2008 NEC and RWE (Germany) signed a strategic investor agreement for the project with NEC controlling 51 percent and RWE with 49 percent.

4. (C) Bulgarian company participation in the Belene project is approximately 30 percent. (Note: Risk Engineering is one Bulgarian-owned company involved in Belene. It is owned by notorious Bulgarian energy oligarch Bogomil Manchev, the "godfather" of the Bulgarian nuclear sector. He has an ownership stake in 10 different firms and is the sub-agent for hundreds of other firms). The French bank PNB Paribus financed the pre-construction loan of 250 million Euros. Currently, teams are preparing the site for new construction by tearing down old infrastructure from the 1980s. The plant's construction is expected to begin in late 2009 or early 2010. Construction will be in two stages. Unit 1 was originally planned to come on-line in 2014-2015 followed by Unit 2 in 2015-2016, according to the Belene NPP Managing Director, Jordan Georgiev. These time frames are now widely in doubt.

BUYER'S REMORSE

5. (C) Despite its due diligence, our contacts tell us Belene,s strategic investor, RWE, is now experiencing regret about its purchase. Acc

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worries about the project's lack of transparency and the need to work with AtomStroyExport. RWE wants to enforce European business practices, and is now demanding to review all Belene-related agreements. RWE is reportedly negotiating with Belgium's Electrabel to join it as a subcontractor (likely to be announced in mid-March) to help re-inforce standard European business practices. RWE's insistence on reviewing all agreements is causing Bulgaria heartburn. Delays of 3-5 years have already been announced, and Belene is not expected to come on-line until 2016-2017. According to XXXXXXXXXXXX, RWE realizes that working with Russian and Bulgarian companies in the energy sector is a "poisonous combination" for European investment. Transparency is affecting financing. RWE (and Electrabel) want European banks to finance their half of the project, hoping EU restrictions and western lending standards would help with transparency. However, with the current global financial crisis, they believe finding a European bank will be difficult and may reluctantly have to turn to Russia for the money.

16. (C) The Bulgarians are also experiencing buyer's remorse. Despite Russia's offer to extend a loan of about four billion Euros for the project, rumors abound that the Russians do not have the money to finance the project and the Bulgarians have been reluctant to take the money in any event, for fear of being seen as "too close" to the Russians. For their part, the Bulgarians at Belene are chafing at RWE's close scrutiny of all decisions and complain that this approach is needlessly slowing the project. Our contacts say that some Bulgarian officials are beginning to admit privately that in Belene, they have bought "a lemon." NEC has sunk approximately 700 million euros into the project, while the Russians are not out of pocket and could walk away losing nothing. Meanwhile, cost estimates for Belene continue to creep up, running as high as eight billion euros, double the original price.

BELENE VS KOZLUDUY UNITS 7 & 8

17. (C) The rumors of trouble at Belene have resurrected the idea of a competing project at Bulgaria's only working nuclear power plant, Kozluduy. Bulgarian Minister of Energy and Economy Petar Dimitrov has been actively and publicly courting Westinghouse to invest in a project to build two new reactors at Kozluduy -- units 7 and 8. Contacts say that the existing infrastructure, powerlines connecting Kozluduy to the national power grid, and a highly-skilled workforce close by at currently-operating Kozluduy 5 and 6 give Kozluduy 7 and 8 at least a one billion euro cost edge over Belene. Westinghouse officials are cautiously interested, but only if the Belene project is abandoned and Bulgarian government financial support is put into Kozluduy. They want to avoid being used simply to create a new sense of urgency to jump-start Belene.

18. (C) Comment: There is clearly something amiss at Belene. Asked whether the project was in jeopardy, a senior WorleyParsons official privately told us that while the project was still likely to go forward, "countries walk away from deals like this all the time." With elections on the horizon and 700 million euros in sunk costs, in addition to priceless political capital already invested, the government is unlikely to abandon the project any time soon. But it may be on a very slow track.

McEldowney